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Report of the Intersecretariat Working Group on National Accounts

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-sixth session,** the Secretary-General has the honour to transmit to the Commission the report of the Intersecretariat Working Group on National Accounts. The Commission is requested to comment on the overall progress in the updating of the *System of National Accounts, 1993* (1993 SNA).

* E/CN.3/2006/1.

** See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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Report of the Intersecretariat Working Group on National Accounts

Introduction

1. At its thirty-sixth session, the Statistical Commission:[1]

(a) Acknowledged the relevance and timeliness of the study included in the report of the Intersecretariat Working Group on National Accounts (see E/CN.3/2005/4) on the factors that had impeded the implementation of the *System of National Accounts, 1993* (1993 SNA)[2] in many member countries and endorsed the recommendations contained in paragraph 38 thereof;

(b) Recognized the need to support members in improving the infrastructure for basic data collection and promoting the use of administrative data, inter alia, through the provision of manuals on best practices;

(c) Encouraged countries to intensify advocacy and reach out to high-level users and policymakers in order to strengthen their awareness of the importance and usefulness of national accounts and thereby facilitate increased funding for the implementation of the 1993 SNA as well as the budgets of National Statistical Offices or other agencies responsible for national accounts;

(d) Noted that the United Nations Statistics Division would take the lead in devising a strategy to address the impediments to 1993 SNA implementation identified in the above-mentioned study, which should contain a focus on Africa and, in that context, the Commission confirmed the need to improve basic data for national accounts compilation, based on best practices and taking into account the different levels of statistical development;

(e) Took note of the reports of the Intersecretariat Working Group on National Accounts on the updating of the 1993 SNA and concluded that delivering the revision of the *System of National Accounts, 1993* (1993 SNA, Rev.1), according to the agreed timetable, by 2008 would require focus, discipline and significant effort;

(f) Recommended maintaining the existing timetable for the completion of the 1993 SNA, Rev.1, considering the close coordination of the calendars of the revisions of other macroeconomic manuals such as the Balance of Payments Manual, and the financial implications of any postponement of the completion date. Some members urged the Intersecretariat Working Group on National Accounts to consider the prioritization of issues and contingency plans for issues that might turn out to be intractable by applying the decision-making structure embedded in the governance structure while assuring the consistency and integrity of the 1993 SNA, Rev.1;

(g) Commended the United Nations Statistics Division on its informative website on the SNA update which had facilitated the transparency of, and the worldwide involvement of the statistical community in, the updating process.

2. In accord with the recognized need to support member countries' efforts to improve the infrastructure for basic data collection and promote the use of administrative data, the organizations of the Intersecretariat Working Group on National Accounts, in coordination with other international organizations, pursued

work on several manuals on best practices. The United Nations Statistics Division initiated expert group meetings in 2005 to review and update the following international guidelines for basic data collection so as to achieve their harmonization with the *System of National Accounts, 1993* and its ongoing update: *International Recommendations on Statistics of the Distributive Trades and Services*,[3] *International Recommendations for Industrial Statistics*[4] and *Index Numbers of Industrial Production, 1950*.[5] Recommendations by the expert groups will serve as the basis for rewriting these guidelines, which will include descriptions of best practices. The International Monetary Fund (IMF) completed a draft of the *Compilation Guide for Monetary and Financial Statistics*, a companion to the IMF *Monetary and Financial Statistics Manual* (2000),[6] and will hold an expert group meeting for final review, including of issues of consistency with the SNA update, in December 2005. The Intersecretariat Working Group on Price Statistics, having completed work on best-practice manuals for consumer and producer price indices, made progress in drafting a parallel manual on export and import price indices. This manual will further promote the development of a common infrastructure for national accounts and price statistics.

3. The following section provides a progress report on the updating of the 1993 SNA including an overview of the main activities undertaken, the mechanism of global consultations on recommendations, the progress with issues and the management of the update process.

I. Progress report on the updating of the 1993 SNA

A. Meetings of the Advisory Expert Group and other activities

4. The implementation of the work programme on the update of the 1993 SNA has continued in accordance with the timetable adopted for the completion of the 1993 SNA, Rev.1, by 2008. In respect of the most notable events and outcomes of activities, it may be noted that:

(a) The third meeting of the Advisory Expert Group on National Accounts (AEG) was held in Bangkok from 18 to 22 July 2005. It made recommendations on 25 issues and conducted preliminary reviews of several topics that will be considered in the next meeting. More information on the progress with respect to issues is included in section C below;

(b) A fourth meeting of the Advisory Expert Group, to be hosted by the European Central Bank, is being organized in Frankfurt, Germany, from 30 January to 8 February 2006 to deliberate on all remaining issues. Information about the outcome of the meeting will be available to the Commission in a room document;

(c) Advisory Expert Group members have been involved continuously in making recommendations and advising the Intersecretariat Working Group on National Accounts on SNA update-related issues. This required their active participation in reviewing and developing proposals on issues even between meetings;

(d) Regional workshops on the 1993 SNA update were held for the Asia-Pacific region in April 2005, for Latin America and the Caribbean in October 2005 and for Africa in November 2005. The joint Organization for Economic Cooperation

and Development (OECD)/Economic Commission for Europe (ECE) meeting of national accountants in October 2005 focused on SNA updating issues. These meetings generated useful comments and feedback from participating national accountants that will facilitate the reaching of a consensus on open issues;

(c) As a result of considerable efforts on the part of the Intersecretariat Working Group on National Accounts and all other actors in the update process, the resolution of the 44 agreed issues is proceeding according to schedule. To help achieve this, the Intersecretariat Working Group introduced procedures for conducting online discussions among Advisory Expert Group members. This approach made it possible to expedite the development of recommendations, relieved the considerable burden imposed by physical meetings and contributed to the keeping to set deadlines.

B. Global consultation and transparency of the process

5. Recommendations of the Advisory Expert Group on the issues have been sent out to all national statistical offices and central banks for global consultation in a transparent way, as requested by the Statistical Commission. Those Advisory Expert Group recommendations and supporting issue papers have also been posted on the 1993 SNA update website maintained by the United Nations Statistics Division (http://unstats.un.org/unsd/nationalaccount/snarev1.asp). The website has been continuously updated and enhanced to support online discussions and commenting by countries' statistical agencies and experts. Countries have been repeatedly contacted to invite comments within a 60-day response period so as to allow for the taking into consideration of the views of as many countries as possible. The responses received from official agencies as well as the comments contributed by individual experts have been posted on the 1993 SNA update website. Overall, comments by over 80 respondents were submitted on recommendations made by the Advisory Expert Group in its various deliberations.

6. In addition to using global consultations for outreach and involvement of the statistical community, Intersecretariat Working Group members, the project manager and editor actively disseminated information on the update through presentations at conferences and seminars. New developments were published in every issue of the periodical *SNA News and Notes*.

C. Progress with respect to issues

7. The close coordination of the update of the 1993 SNA with that of the Balance of Payments Manual and the Government Financial Statistics Manual has been ensured through careful planning and a number of measures. National accountants from Intersecretariat Working Group institutions took part in the meetings of the IMF Committee on Balance of Payments Statistics and the Task Force on Harmonization of Public Sector Accounting held in 2005. All relevant issue papers and reports from the meetings of the Committee and the Task Force were forwarded for consideration by the Advisory Expert Group. Representatives from the Committee and the Task Force participated and gave briefings on proposed changes at Advisory Expert Group meetings.

8. A similar mechanism has been in place to build on the results of the discussions held by the Canberra II Group on Non-Financial Assets at its meetings in Canberra in March/April 2005 and Geneva in September 2005. It provided for full consideration of proposals on several SNA update-related issues, especially those related to non-financial assets.

9. At its third meeting in July 2005, the Advisory Expert Group made recommendations on a number of issues under consideration for the update, as listed in paragraph 10 below. Among those were nine issues that had been discussed prior to the meeting by the Advisory Expert Group using an online web-based forum ("e-discussions"). The report of the meeting, available on the SNA update website, provides detailed descriptions of the new recommendations.

10. Several of the recommendations made in the July 2005 Advisory Expert Group meeting were on balance-of-payments issues, focusing on strengthening the ability of the SNA to capture key features of globalization and ensuring harmony with the updated Balance of Payments Manual, namely:

- Migrants' transfers
- Residence of households: non-permanent workers
- Residence of households: ships' crew and patients
- Goods sent abroad for processing
- Multi-territory enterprises
- Granting of guarantees

A number of the recommendations were made on issues concerning non-financial assets, relating to harmonization with the *Handbook of National Accounting: Integrated Environmental and Economic Accounting*, new developments in the economy, and methodological advances. These recommendations encompassed:

- Water as an asset
- Land improvements and structures
- Originals and copies
- Databases
- Research and development
- Obsolescence and depreciation
- Purchased goodwill and marketing assets
- Cost of capital services
- Government and other non-market producers: cost of capital of own assets

Recommendations were also made on several issues concerning financial instruments, relating to new developments in financial markets and instruments, namely:

- Non-performing loans
- Distinction between loans and deposits

– Traded loans (borderline between securities and other financial instruments)

– Interest on index-linked debt instruments

– Debt instruments linked to a foreign currency

– Fees on securities lending and reversible gold transactions

– Reverse transactions

Other recommendations were on issues affecting government, including considerations that arose in preparing the Government Financial Statistics Manual, namely:

– Public/private/government sectors delineation

– Taxes, revenues, uncollectible taxes and tax credits

11. The process of developing and refining recommendations on the issues has involved close interactions between the task forces and the Advisory Expert Group and thus has led to full and careful consideration of the issues. Preliminary task force views on key issues had been forwarded for discussion by the Advisory Expert Group for the purpose of obtaining early feedback, in order to enhance the prospects for a successful outcome when a paper was submitted for the consideration of the Advisory Expert Group at a later date. When presented to the Advisory Expert Group for review and recommendation, some issues are not completely resolved and require follow-up action (for example, consideration of links with other issues). So far, the Advisory Expert Group has completed or nearly completed consideration of about three quarters of the SNA update issues. The remaining issues, along with those requiring follow-up, will be considered at the upcoming Advisory Expert Group meeting.

12. Considering the progress to date in preparing issues for discussion at the last issues-oriented Advisory Expert Group meeting, to be held in Frankfurt, it is expected that the work of reviewing and recommending treatment of the 44 issues will meet the time schedule as outlined in the work programme.

13. A call for suggestions to improve the clarity of the SNA has been sent out and contributions are being collected until December 2005. These proposals are processed by the editor in consultation with the Intersecretariat Working Group on National Accounts. This is considered an important initiative for increasing the user-friendliness of the SNA, which should have a positive effect on the future implementation of the 1993 SNA, Rev.1.

14. With the issues-oriented phase coming to a conclusion, attention is now turning to the task of transforming the body of recommendations into the 1993 SNA, Rev.1. The Advisory Expert Group meeting in January-February 2006 will discuss plans for the drafting and review phase; and the outcome of the discussion will be available to the Commission in a room document. In accordance with the work programme, and resources permitting, two further Advisory Expert Group meetings will be held in 2007 to address the overall consistency of recommendations and the integrity of the system as embodied in the draft of the 1993 SNA, Rev.1. Countries will be consulted on the final recommendations and on the drafts of chapters of Rev.1. The Statistical Commission will be requested to review the full set of recommendations for the SNA update in March 2007 and the final draft of the 1993 SNA, Rev.1, in March 2008. The Intersecretariat Working Group on National

Accounts will work on a plan for implementing the updated SNA in parallel with the work on the draft.

D. Management of the update process

15. The established governance structure has functioned well. The Intersecretariat Working Group on National Accounts, charged by the Statistical Commission at its thirty-fourth session in March 2003 with the responsibility for coordinating the update of the 1993 SNA,[7] operated at two levels. The National Accountants Group, composed of the five international organizations that make up the Intersecretariat Working Group (the Statistical Office of the European Communities (Eurostat), IMF, OECD, the United Nations Statistics Division and the World Bank), held teleconferences monthly, and participated in developing issue papers and the discussion of issues, and has undertaken the day-to-day tasks associated with organizing the update of the 1993 SNA. Overseeing this group is the Management Group, consisting of the statistical heads of the five organizations, with the role of monitoring and assisting in the progress of the update and taking any actions it sees fit in order to ensure a successful outcome. The project manager oversees the overall coordination work on behalf of the Management Group. The project manager and editor, appointed at the end of 2004, have carried out their functions in close collaboration with the National Accountants Group.

16. Fund-raising to support the update process continues to be a high priority. It will be a focus of activity of the Management Group so as to ensure adequate resources for the final stages of the update process.

II. Points for discussion

17. **The Statistical Commission is requested to comment on the overall progress in the updating of the *System of National Accounts, 1993* (1993 SNA).**

Notes

[1] *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. III, para. 14.

[2] United Nations publication, Sales No. E.94.XVII.4.

[3] Statistical Papers, No. 57 (United Nations publication, Sales No. E.75.XVII.9).

[4] Statistical Papers, No. 48 Rev.1 (United Nations publication, Sales No. E.83.XVII.8).

[5] Studies in Methods, No. 1 (United Nations publication, Sales No. E.50.XVII.4).

[6] Washington, D.C., IMF, 20 October 2000.

[7] *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. III, para. 2 (c).